

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

GT NEXUS, INC., a Delaware corporation,

Plaintiff,

V.

INTTRA, INC., a Delaware corporation,

Defendants.

Case No: C 11-02145-SBA

ORDER DENYING MOTION TO LIFT THE STAY AND REOPEN THE ACTION

Docket 63, 65, 69

AND RELATED COUNTERCLAIMS

Plaintiff GT Nexus, Inc. (“GT Nexus”) brings the instant action against Inttra, Inc. (“Inttra”) seeking a declaratory judgment that four of Inttra’s patents (“patents-in-suit”)¹ are invalid and have not been infringed. Inttra has filed counterclaims against GT Nexus for infringement of the patents-in-suit. On February 22, 2012, the instant action was stayed and administratively closed pending the outcome of GT Nexus’s requests for *ex parte* reexamination of the patents-in-suit by the United States Patent and Trademark Office (“PTO”). Dkt. 61. Thereafter, the PTO granted GT Nexus’s requests for *ex parte* reexamination. The parties are presently before the Court on Inttra’s motion to lift the stay and reopen the action. Dkt. 65. GT Nexus opposes the motion. Dkt. 66. Having read and considered the papers filed in connection with this matter and being fully informed, the Court hereby DENIES Inttra’s motion, for the reasons stated below. The Court, in its

¹ The patents-in-suit are U.S. Patent Nos. 7,761,387; 7,752,142; 7,827,119; and 7,756,794.

1 discretion, finds this matter suitable for resolution without oral argument. See Fed.R.Civ.P.
 2 78(b); N.D. Cal. Civ. L.R. 7-1(b).

3 **I. DISCUSSION**

4 **A. Administrative Motion for Leave to File Sur-Reply**

5 GT Nexus requests leave to file a sur-reply “to address certain evidence and
 6 arguments raised for the first time in [Inttra’s] reply brief in support of its motion to lift stay
 7 and reopen action.” Dkt. 69. If a party raises a new argument or presents new evidence in
 8 a reply brief, a court may consider these matters only if the adverse party is given an
 9 opportunity to respond. See *El Pollo Loco v. Hashim*, 316 F.3d 1032, 1040-1041 (9th Cir.
 10 2003); *Provenz v. Miller*, 102 F.3d 1478, 1483 (9th Cir. 1996). Here, because it is
 11 undisputed that Inttra’s reply brief contains new legal argument and new evidence, GT
 12 Nexus’s administrative motion to file a sur-reply is GRANTED.

13 **B. Motion to Lift the Stay and Reopen the Action**

14 In the instant motion, Inttra moves to lift the stay and reopen this action on the
 15 ground that the *ex parte* reexamination proceedings before the PTO have been completed.
 16 In response, GT Nexus contends that the stay should not be lifted because it has filed
 17 petitions with the Patent Trial and Appeal Board (“PTAB”) seeking review of the validity
 18 of Inttra’s covered business method (“CBM”) patents² (“CBM review”). Specifically, GT
 19 Nexus’s petitions challenge the validity of every claim of the patents-in-suit. According to
 20 GT Nexus, the patents-in-suit are invalid because they claim unpatentable subject matter.
 21 GT Nexus argues that the stay should not be lifted while proceedings before the PTO are
 22 ongoing.³

23 ///

24 ² A CBM patent is “a patent that claims a method or corresponding apparatus for
 25 performing data processing or other operations used in the practice, administration, or
 26 management of a financial product or service, except that the term does not include patents
 for technological inventions.” P.L. 112-29, 125 Stat. 284, 331 (2011).

27 ³ It is undisputed that the PTAB has yet to determine whether to grant review of GT
 28 Nexus’s petitions for CBM review. A decision by the PTAB as to whether to grant CBM
 review is expected by August 2014.

1 **1. The Leahy-Smith America Invents Act**

2 Section 18 of the Leahy-Smith America Invents Act (“AIA”) created a new
 3 transitional program authorizing persons or entities who have been sued for infringing a
 4 CBM patent to petition the PTAB for post-grant review of the validity of the patent. AIA §
 5 18(a)(1), P.L. 112-29, 125 Stat. 284, 329-330.⁴ Under the AIA, a party may seek to stay a
 6 patent infringement action in federal district court where a “transitional proceeding for that
 7 patent” has been instituted. AIA § 18(b)(1), P.L. 112-29, 125 Stat. 284, 331. The AIA
 8 provides that courts should apply a four-factor test (“AIA Factors”) when deciding whether
 9 to stay a case pending CBM review. Id. These four factors are: (1) “whether a stay, or the
 10 denial thereof, will simplify the issues in question and streamline the trial”; (2) “whether
 11 discovery is complete and whether a trial date has been set”; (3) “whether a stay, or the
 12 denial thereof, would unduly prejudice the nonmoving party or present a clear tactical
 13 advantage for the moving party”; and (4) “whether a stay, or the denial thereof, will reduce
 14 the burden of litigation on the parties and on the court.” Id.

15 This test resembles the one that courts have applied in assessing a motion to stay
 16 pending *inter partes* or *ex parte* reexamination by the PTO. See In re Ameranth Patent
 17 Litigation Cases, 2013 WL 7144380, at *1 (S.D. Cal. 2013). The primary difference
 18 between this test and the one employed by courts in the ordinary patent reexamination
 19 context is the inclusion of the fourth factor, which requires a court to consider whether a
 20 stay will reduce the burden of litigation. Id. The fourth factor was added in order to ease
 21 the movant’s task in demonstrating the need for a stay. See Market-Alerts Pty. Ltd. v.
 22 Bloomberg Finance L.P., 922 F.Supp.2d 486, 489-490, 496 n. 14 (D. Del. 2013) (noting
 23 that § 18 of the AIA was added through an amendment proposed by Senator Charles
 24 Schumer, who, during Congressional debate on the AIA, stated that “the four factor test . . .
 25 places a very heavy thumb on the scale in favor of a stay being granted,” and that “[s]ince
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27 ⁴ Although the AIA was signed into law on September 16, 2011, the CBM review
 28 component was not implemented until September 16, 2012. Progressive Cas. Ins. Co. v.
Safeco Ins. Co. of Ill., 2013 WL 1662952, at *2 (N.D. Ohio 2013).

1 the entire purpose of the transitional program at the PTO is to reduce the burden of
 2 litigation, it is nearly impossible to imagine a scenario in which a district court would not
 3 issue a stay”); Zillow, Inc. v. Trulia, Inc., 2013 WL 5530573, at *3 (W.D. Wash. 2011)
 4 (“the four-factor test was designed to increase the likelihood that the court will grant a stay
 5 when a party initiates a transitional CBM review, as opposed to an ordinary PTO
 6 reexamination”).

7 **2. The AIA Factors**

8 As an initial matter, Inttra argues that the four-factor test does not apply because the
 9 patents-in-suit do not qualify for CBM review. The Court rejects this argument. The
 10 statutory stay analysis under the AIA is triggered upon the filing of a petition for CBM
 11 review, not upon the granting of a petition for CBM review by the PTAB. See Zillow,
 12 2013 WL 5530573 at *4 n. 3 (“The statutorily required stay analysis set forth in § 18(b) of
 13 the AIA is triggered by a party’s petition for post-grant review and not upon the PTAB’s
 14 institution of such review.”); Market-Alerts Pty., 922 F.Supp.2d at 490, n. 5 (“Since the
 15 PTO has recognized that ‘the [CBM review] *proceedings* begin with the filing of a
 16 petition,’ the court finds that the relevant stay provisions apply when the petition is first
 17 filed.”) (italics in original); Sightsounds Techs., LLC v. Apple, Inc., 2013 WL 2457284, at
 18 *3 (W.D. Pa. 2013) (“[T]he relevant stay provisions of the AIA apply when the petition for
 19 review is filed, and not when the PTAB institutes such review.”). Moreover, the question
 20 of whether a patent qualifies for CBM review is an issue for the PTAB to decide.⁵ See
 21 Zillow, 2013 WL 5530573 at *4 n. 3 (“Whether CBM review should be granted . . . is an
 22 issue for the PTAB to evaluate and not for this court.”); Landmark Technology, LLC v.
 23 iRobot Corporation, 2014 WL 486836, at *3 (E.D. Tex. 2014) (“The threshold issue of
 24 whether CBM review . . . is appropriate is typically an issue for the PTAB to decide, not
 25 th[e] Court.”). Accordingly, the Court will apply the four-factor test set forth in § 18(b) of
 26 the AIA.

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 28 ⁵ The PTAB “may institute a transitional proceeding only for a patent that is a
 covered business method patent.” AIA § 18(a)(1)(E), P.L. 112-29, 125 Stat. 284, 331.

a. Simplification of the Issues and Trial

The first factor examines “whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial.” As explained by the Federal Circuit in the reexamination context: “[o]ne purpose of the reexamination procedure is to eliminate trial of [an] issue (when [a] claim is canceled) or to facilitate trial . . . by providing the district court with the expert view of the . . . PTO . . . when a claim survives the reexamination proceeding.” Gould v. Control Laser Corp., 705 F.2d 1340, 1342 (Fed. Cir. 1983).

Here, GT Nexus contends that maintaining the stay pending completion of CBM review will simplify the issues and streamline the litigation because its CBM petitions challenge the patentability of every claim of the patents-in-suit, and because it is likely that the PTAB will grant the petitions and cancel or modify one or more of the claims of the patents-in-suit. In support of its position, GT Nexus cites to statistics for *inter partes* reexamination, which indicate that the PTO grants 93% of requests for reexamination, and that *inter partes* reexamination requests result in the cancellation of all claims 31% of the time and changes in claims 61% of the time. See Brewer Decl., Exh. F, Dkt. 66-2. While PTO statistics do not exist for CBM review, courts have relied upon statistics for *inter partes* reexamination when considering stays pending CBM review. See e.g., Zillow, 2013 WL 5530573 at *4 (“CBM review is so new that no PTO statistics exist for it yet. *Inter partes* reexamination is the proceeding most similar to CBM review, however, and other courts have relied upon these same statistics when considering stays pending CBM review.”); see also Market-Alerts Pty., 922 F.Supp.2d at 491 n. 7.

The Court finds that the first AIA factor weighs in favor of a stay. If the PTAB grants CBM review and finds that one or more of the asserted claims of the patents-in-suit are invalid or subject to modification, the Court will have wasted judicial resources and the parties will have unnecessarily expended funds addressing invalid claims or claims modified during CBM review. See Ho Keung Tse v. Apple Inc., 2007 WL 2904279, at *4 (N.D. Cal. 2007) (Armstrong, J.); Fresenius USA, Inc. v. Baxter Intern., Inc., 721 F.3d 1330, 1340 (Fed. Cir. 2013) (“[I]f a claim is cancelled or amended to cure invalidity [by the

1 PTO], the patentee’s cause of action is extinguished and the suit fails.”). On the other hand,
2 if the PTAB upholds the validity of the asserted claims, GT Nexus will be estopped from
3 raising any invalidity arguments that it raised in the CBM review proceedings. AIA §
4 18(a)(1)(D), P.L. 112-29, 125 Stat. 284, 330. Moreover, even if some of the claims of the
5 patents-in-suit survive CBM review, the PTAB’s expert opinion will provide guidance for
6 the Court on the pertinent issues. Therefore, it is likely that CBM review will at least
7 streamline this case, thereby conserving the resources of the parties and promoting the
8 interests of judicial economy. Furthermore, the granting of a stay will avoid the possibility
9 of inconsistent results. See Microsoft Corp. v. Tivo Inc., 2011 WL 1748428, at *5 (N.D.
10 Cal. 2011) (noting that since it is possible that this Court and the PTO could reach
11 inconsistent conclusions regarding the same patent, there is a significant concern of wasting
12 resources by proceeding forward) (quotation marks omitted).

b. Stage of the Litigation

14 The second factor considers “whether discovery is complete and whether a trial date
15 has been set.” There is a liberal policy in favor of granting motions to stay proceedings
16 pending reexamination of a patent, especially in cases that are still in the initial stages of
17 litigation and where there has been little or no discovery. Yodlee, Inc. v. Ablaise Ltd.,
18 2009 WL 112857, at *2 (N.D. Cal. 2009) (Armstrong, J.). Here, the parties’ joint
19 stipulation to stay the case pending the outcome of GT Nexus’s *ex parte* reexamination
20 requests states: “The parties believe that a stay would further the interests of judicial
21 economy and conservation of the parties’ and the Court’s resources. This case is in its
22 early stages and the requested stay would not impact the case schedule: the Court has not
23 yet conducted an initial Case Management Conference . . . , no trial date or other Court
24 deadlines have been set, discovery has not yet commenced, and the only matter noticed for
25 hearing . . . [a] Motion to Dismiss for Lack of Personal Jurisdiction . . . has not been fully
26 briefed and is not scheduled to be heard by this Court until May 1, 2012.” Dkt. 59.
27 Accordingly, because the instant action was stayed at an early stage in the litigation, the
28 Court finds that the second AIA factor weighs in favor of maintaining the stay. See Ho

1 Keung Tse, 2007 WL 2904279, at *2-3. (“A stay is particularly appropriate for cases in the
 2 initial stages of litigation or in which there has been little discovery.”); KLA-Tencor Corp.
 3 v. Nanometrics, Inc., 2006 WL 708661, at *2 (N.D. Cal. 2006) (granting stay where
 4 discovery had just begun); Target Therapeutics, Inc. v. SciMed Life Sys., Inc., 1995 WL
 5 20470, at *2 (N.D. Cal. 1995) (holding that the absence of significant discovery or
 6 substantial expense and time invested in the litigation weighed in favor of stay); ASCII
 7 Corp. v. STD Entm’t USA, Inc., 844 F.Supp. 1378, 1381 (N.D. Cal. 1994) (granting stay
 8 where the parties had undertaken little or no discovery).

9 **c. Prejudice and Tactical Concerns**

10 The third factor examines “whether a stay, or the denial thereof, would unduly
 11 prejudice the nonmoving party or present a clear tactical advantage for the moving party.”
 12 “It should be noted that ‘delay inherent in the reexamination process does not constitute, by
 13 itself, undue prejudice.’ ” AT & T Intellectual Property I v. Tivo, Inc., 774 F.Supp.2d
 14 1049, 1054 (N.D. Cal. 2011) (Armstrong, J.) (“Because delay inherent in the reexamination
 15 process does not constitute undue prejudice, courts also consider evidence of dilatory
 16 motives or tactics, such as when a party unduly delays in seeking reexamination of a
 17 patent.”). “Moreover, parties having protection under the patent statutory framework may
 18 not ‘complain of the rights afforded to others by that same statutory framework.’ ” Id.

19 Here, Inttra contends that the stay should be lifted because GT Nexus’s efforts to
 20 delay this litigation are “purely” for tactical reasons. Inttra asserts that GT Nexus’s more
 21 than one-year delay in seeking CBM review after the review procedures went into effect
 22 “was plainly intended to maximize the amount of delay in this case and prejudice Inttra.”
 23 In response, GT Nexus argues that it has not engaged in dilatory tactics to gain a tactical
 24 advantage. In support of its position, GT Nexus notes that the last of the asserted patents
 25 “emerged” from *ex parte* reexamination on November 26, 2013,⁶ and that it moved
 26 expeditiously in preparing and filing its petitions for CBM review less than three months
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⁶ See Hsu-Hoffman Decl. ¶ 6, Exh. D, Dkt. 65-1, 65-2.

1 later. See Brewer Decl. ¶¶ 5-8, Exhs. B-E. According to GT Nexus, it would have been
 2 premature to file petitions for CBM review while the *ex parte* proceedings were still
 3 pending when it was unclear what claims of the patents-in-suit, if any, would need to be
 4 addressed through CBM review.

5 The Court finds that the third AIA factor weighs in favor of a stay. Inttra has not
 6 demonstrated that the additional delay from a stay of the instant action during the pendency
 7 of CBM review will cause it to suffer any undue prejudice. Indeed, Inttra does not
 8 specifically argue that it will suffer undue prejudice from further delay. Instead, without
 9 elaboration, Inttra simply asserts that “further delay greatly disfavors [Inttra] because [GT
 10 Nexus] is using Inttra’s patented technology without authorization to compete directly
 11 against Inttra in the marketplace.” While Inttra may suffer some prejudice from a delay of
 12 this litigation, Inttra’s showing does not support a finding of undue prejudice.⁷ Inttra, for
 13 instance, has not shown why monetary damages would be inadequate to remedy any
 14 prejudice occasioned by the delay. Further, Inttra has not adduced any evidence
 15 demonstrating that GT Nexus filed petitions for CBM review as a dilatory tactic. The
 16 evidence in the record shows that GT Nexus filed petitions for CBM review less than three
 17 months after the last *ex parte* reexamination certificate was issued.

18 **d. Burden of Litigation**

19 The final factor considers “whether a stay, or the denial thereof, will reduce the
 20 burden of litigation on the parties and on the court.” As noted above, the fourth factor was
 21 established to increase the likelihood that a stay will be granted. Zillow, 2013 WL 5530573
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23 ⁷ The Court notes that Inttra did not seek preliminary injunctive relief prior to the
 24 imposition of the stay. Nor has Inttra asserted that it intends to seek a preliminary
 25 injunction if the stay is lifted. “Many courts have found . . . that attempts by a patentee to
 26 argue undue prejudice are undermined if the patentee has elected not to pursue preliminary
 27 injunctive relief.” See Zillow, 2013 WL 5530573 at *6. The Court further notes that Inttra
 28 failed to respond to GT Nexus’s persuasive contention that its prior lack of urgency in this
 matter, e.g., waiting almost a year after the issuance of its first patent before attempting to
 leverage its patents to coerce GT Nexus into a business alliance and then stipulating to a
 stay of this action, belies Inttra’s insistence that the litigation must move forward at this
 juncture. See id. at *7 (“Zillow’s ‘prior lack of urgency in this matter belies its insistence
 that the litigation move forward with all dispatch now.’”).

1 at *3 (“[T]he fourth factor was added in order to ease the movant’s task in demonstrating
 2 the need for a stay. Indeed, the four-factor test was designed to increase the likelihood that
 3 the court will grant a stay when a party initiates a transitional CBM review, as opposed to
 4 an ordinary PTO.”) (citation omitted); Market Alerts Pty., 922 F.Supp.2d at 496 (“it
 5 appears the intent of [the fourth factor] was to ensure that district courts would grant stays
 6 pending CBM review proceedings at a higher rate than they have allowed stays pending *ex
 7 parte* reexaminations”).

8 The Court finds that the fourth AIA factor weighs in favor of a stay. If the PTAB
 9 grants CBM review, a stay will reduce the burden of litigation on the parties and the Court
 10 because it will avoid parallel proceedings concerning the validity of the patents-in-suit.
 11 Further, if the PTAB grants CBM review, the issues in this case will be simplified upon
 12 completion of the review process. Inttra, for its part, has not offered any compelling reason
 13 why this factor weighs against a stay. Instead, Inttra simply asserts that the stay should be
 14 lifted because the PTAB will most likely deny CBM review. However, given the statistics
 15 cited above, and the lack of any countervailing evidence proffered by Inttra, the Court
 16 disagrees. The statistics proffered by GT Nexus show that it is likely that the PTAB will
 17 grant CBM review of at least one of GT Nexus’s petitions and modify or cancel one or
 18 more of the claims of the patents-in-suit.

19 Finally, to the extent Inttra suggests that the fourth AIA factor weighs against
 20 maintaining the stay because the patents-in-suit have already undergone *ex parte*
 21 reexamination, the Court disagrees. The PTO’s *ex parte* reexamination procedure and the
 22 PTAB’s CBM review procedure are different. Therefore, the fact that the patents-in-suit
 23 have been reexamined does not militate against maintaining the stay. See Landmark
 24 Technology, 2014 WL 486836, at *3 (“[T]he fact that the patents-in-suit have passed
 25 through reexamination does not compel the conclusion that CBM Review is superfluous.
 26 As opposed to *ex parte* reexamination procedures that consider a patent’s validity in light of
 27 particular prior art, CBM Review allows a petitioner to argue for invalidity before a panel
 28 of administrative law judges and also allows for § 112 challenges.”).

1 II. CONCLUSION

2 For the reasons stated above, IT IS HEREBY ORDERED THAT:

3 1. GT Nexus's motion for leave to file a sur-reply is GRANTED.

4 2. Inttra's motion to lift the stay and reopen the action is DENIED. This case

5 shall remain STAYED pending completion of CBM review.⁸ If the PTAB grants CBM

6 review, this case shall remain stayed pending completion of the CBM review process.

7 Upon completion of the CBM review process, the parties shall jointly submit to the Court,

8 within two (2) weeks, a joint letter requesting that this action be reopened and a case

9 management conference be scheduled. If GT Nexus's petitions for CBM review are

10 denied, Inttra may file a motion requesting to lift the stay and reopen the action.

11 3. This Order terminates Docket Nos. 63, 65, and 69.

12 IT IS SO ORDERED

13 Dated: 7/9/2014


SAUNDRA BROWN ARMSTRONG
United States District Judge

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27 ⁸ The Court notes that it need not address GT Nexus's argument that the stay should
28 be maintained pending the Supreme Court's decision in Alice Corp. Pty. Ltd. v. CLS Bank
29 Int'l. The Supreme Court issued a decision in this case on June 19, 2014. As such, GT
30 Nexus's argument has become moot.